

## **SUMMARY OF LAWS AND REGULATIONS ON BANK INDONESIA**

Regulation : Issuance of Bank Indonesia External Circular Letter number 12/ 16 /DPM dated July 6, 2010 concerning Criteria and Requirements for Securities, Participant, and Intermediary in Monetary Operation.

Effective Date : Effective as of July 7, 2010.

Summary : 1. Consideration for the issuance of the provisions:  
The issuance of provisions related to the criteria and requirements for securities, participant, and intermediary in monetary operation is aimed at anticipating the dynamics in money market developments.

2. Main Provisions:

a. The securities which can be used in Monetary Operations are securities meeting the following criteria:

1) issued by Bank Indonesia and/or the Government of the Republic of Indonesia;

2) denominated in rupiah;

- 3) administered in BI-SSSS;
  - 4) recorded in a trading/active account in BI-SSS; and
  - 5) not being subject to a pledge.
- b. The types of Securities meeting the aforementioned criteria are SBI and SBN.
- c. SBI and SBN to be used as the underlying instruments for lending facility transactions must meet the following requirements concerning the remaining tenure:
- 1) SBI: having minimum remaining tenure of 2 (two) days on the second leg of repo transaction.
  - 2) SBN: having minimum remaining tenure of 3 (three) business days on the second leg of repo transaction.
- d. The price and haircut of securities are determined and announced by Bank Indonesia on BI-SSSS and/or by other means, with the following provisions concerning haircut:

- 1) 0% (zero percent) for SBI, and
  - 2) 5% (five percent) for SBN.
- e. OMS participants are Banks meeting the following requirements:
- 1) Having active status as participants of BI-SSSS and BI-RTGS System
  - 2) Not being subject to temporary suspension of its participation in monetary operations activities.
  - 3) Must have a demand deposit account with Bank Indonesia.
  - 4) Must have a securities account in BI-SSSS.
- f. In the event that a Bank's participation in Monetary Operations is indirect or through an Intermediary, the Intermediary will conduct OMO transaction for the benefit of the Bank.
- g. Intermediaries include;
- 1) rupiah and foreign exchange money market brokers.

- 2) capital market brokers appointed by the Minister of Finance as Main Dealers. Capital market brokers can only become intermediaries in repo transactions, reverse repo transactions, and sale and purchase transactions on securities.

h. The requirements for Intermediaries:

- 1) Having active status as participants of BI-SSSS, and
- 2) Not being subject to any sanction in relation to business license by an authorized supervisory authority.

DPM